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MONTANA



FISCAL NOTE MANUAL

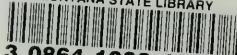
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BUDGET AND PROGRAM PLANNING
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INTRODUCTION

This manual, prepared by the Office of Budget and Program Planning, describes the fiscal note process used by the State of Montana. The manual has two primary purposes--(1) inform interested parties of the process and (2) serve as an instruction manual for those involved with the preparation of fiscal notes.

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STATUTORY PROVISIONS RELATIVE TO FISCAL NOTES

Fiscal notes are provided for in Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). The applicable sections are as follows:

5-4-201. Requirement of fiscal notes with committee reports. All bills reported out of a committee of the legislature having an effect on the revenues, expenditures or fiscal liability of the state or of a county or municipality except appropriation measures carrying specific dollar amounts, shall include a fiscal note incorporating an estimate of such effect. Fiscal notes shall be requested by the presiding officer of either house, who shall determine the need for the note at the time of introduction.

5-4-202. Requests for notes by committee, house, or sponsor. A fiscal note also may be requested on a bill, as the joint rules of the senate and the house of representatives may allow, by:

- (1) a committee considering the bill;
- (2) a majority of the members of the house in which the bill is to be considered, at the time of second reading; or
- (3) the sponsor through the presiding officer.

5-4-203. Budget director to prepare note. The budget director, in cooperation with the state or local agencies or officials or organizations representing local agencies or officials affected by the bill, is responsible for the preparation of the fiscal note and shall return same within 6 days. The director may request additional time to complete a note, which extension must be submitted to the presiding officer or committee requesting the note for approval.

5-4-204. Submission of fiscal note--distribution to legislators. A completed fiscal note shall be submitted by the budget director to the presiding officer who requested it, who shall refer it to the committee considering the bill. If the bill is printed, the note shall be reproduced and placed on the members' desks.

5-4-205. Contents of notes. Fiscal notes shall, where possible, show in dollar amounts the estimated increase or decrease in revenues or expenditures, costs which may be absorbed without additional funds, and long-range financial implications. No comment or opinion relative to merits of the bill shall be included; however, technical or mechanical defects may be noted.

5-4-206. Background information to legislators on request. The budget director shall make available on request to any member of the legislature all background information used in developing a fiscal note.

GENERAL PROCEDURES

SCOPE: Fiscal notes are required on all bills reported out of committee having an effect on the revenues, expenditures, or fiscal liability of the state or of a county or municipality, except appropriation measures carrying specific dollar amounts.

REQUESTS FOR FISCAL NOTES: The presiding officer of either house may request a fiscal note if it is determined at the time of introduction that there is need for such a note. The standing committee to which any bill requiring a fiscal note is referred may hold those bills until the fiscal notes have been prepared and submitted.

If the presiding officer of either house does not request a fiscal note on a bill or resolution having a fiscal impact, the committee considering the bill may notify the presiding officer, who would then request a fiscal note for the bill as originally introduced or amended.

Either the sponsor or a majority of the members of the house in which the bill is to be considered may request, through the presiding officer, a fiscal note at the time of the second reading.

ADMINISTRATION: All requests for fiscal notes are to be made to the budget director. The budget director determines the state or local agency/agencies or officials affected by each legislative proposal which requires a fiscal note and assigns fiscal note preparation responsibility to the appropriate state or local agency/agencies or officials or organizations representing same. The state or local agency/agencies or officials or organizations representing same to whom the assignment is made prepare(s) a worksheet and fiscal note and returns the worksheet, other pertinent information, and the completed fiscal note to the budget director by a predetermined date.

All estimates of the impact of proposed legislation on state revenue - from any source - will be prepared by the Department of Revenue. In a case where proposed legislation would have an impact on both expenditures and revenue, the agency affected by the expenditure change will prepare the expenditure estimate, and the Department of Revenue will prepare the revenue impact statement. In such a case, the separate expenditure and revenue estimates will be returned to the budget director, and a single fiscal note will be prepared on the basis of the estimates provided.

A completed fiscal note after review by OBPP is submitted by the budget director to the presiding officer who requested it. If the bill is printed, the note is duplicated and a copy is placed on each legislator's desk.

CONTENTS OF FISCAL NOTES: The fiscal note must be factual in nature and should cite the statutes affected, estimated increase or decrease in revenues or expenditures for each of the next two fiscal years, costs which may be absorbed without additional funds, source of funding for

increased costs or fund into which additional revenues will be deposited, effect on county or other local government revenues or expenditures, and, so far as possible, the long-range financial implications. The long-range financial implications should attempt to estimate the fiscal impact for a period of five fiscal years after the effective date of the proposed measure. Estimates should be made in terms of dollars per fiscal year. If, after careful investigation and analysis, it is found impossible to arrive at a dollar estimate, the fiscal note should contain a statement setting forth precisely why dollar estimates cannot be provided.

Comments or opinions relative to merits of the bill are prohibited; however, technical or mechanical defects may be noted.

TIME LIMITS FOR FISCAL NOTES: A fiscal note must be prepared and submitted to the presiding officer who requested it within 6 days from the date of the original request. State or local agency/agencies assigned to work on a fiscal note request must return the worksheet and fiscal note within 3 days from, and including, the day of the assignment.

ADMINISTRATIVE PROCEDURE

PRESIDING OFFICERS

PREPARATION OF FISCAL NOTE REQUEST (BD-13): Upon determination at the time of introduction, by request of a committee or the chief sponsor, or by assent of a majority of the members of the house in which the bill is being considered, the presiding officer may request a fiscal note. The fiscal note request form (BD-13) should be used in making the request.

Fiscal note request form (BD-13), prepared in duplicate, signed by the presiding officer and accompanied by three copies of the bill requiring a fiscal note, is sent to the budget director. The budget director will acknowledge receipt of the request on the duplicate copy and return the copy to the presiding officer.

When fiscal notes are requested, the original bill cover should be marked with an appropriate symbol. This should be easily identified. When it is determined that a fiscal note which has been previously prepared is in need of revision because of amendments or other changes to the original bill, a revised fiscal note should be requested through appropriate channels.

STATE OR LOCAL AGENCY OR OFFICIAL

PREPARATION OF WORKSHEET (BD-14) AND FISCAL NOTE (BD-15): Upon receipt of the fiscal note request, the budget director will analyze the request and assign the request to the state or local agency/agencies or officials or organizations representing local agencies or officials.

The agency assigned the fiscal note request will receive from the budget director the fiscal note worksheets (BD-14), the fiscal note form (BD-15) and a copy of the bill. The agency will prepare, in duplicate, the worksheet form (BD-14) and the fiscal note (BD-15) and return them with the accompanying bill within 3 days from and including the day of assignment.

The fiscal note worksheet will not accompany the prepared fiscal note submitted to the Legislature, but will serve as a basis for review by the budget director. The original worksheet, signed by the agency head or official, or his designee, shall remain on file with the budget director. Copies of the original will be made available to the Legislature upon request.

BD-14: Fill in all indicated blanks. If an item is not applicable, write "Not Applicable".

Estimates should be fully explained; however, in the interest of brevity, these explanations should be made as concise as possible without eliminating essential information. If estimates are based upon assumptions, the assumptions must be clearly stated in the space provided in Part II. Computation of estimates should be shown in Part III of the worksheet

form. It should be possible for the budget director to verify the estimates presented in Part I from the assumptions prescribed in Part II, and the calculations and technique description submitted in Part III.

Estimates should be as objective as possible. The preparing agency should be able to substantiate the estimates with underlying data and with worksheets upon request.

Where it is impossible to arrive at a dollar estimate, a statement to that effect should be included in Part II of the worksheet. Such statements must include the reason it is not possible to arrive at a dollar estimate.

If the proposed legislation will have an impact on county or other local revenues or expenditures, please indicate the nature and, to the extent possible, the magnitude of the impact in Part IV.

If the proposed legislation could have significant long-range effects that might not be ordinarily anticipated, these should be pointed out in Part V, with quantified statements included whenever possible.

Each fiscal note should be based upon the information contained in the proposal and must be factual, informative, and concise. The fiscal note statutes prohibit a discussion of the merits of the proposal. If, however, a technical defect is noted, a critique of that defect with suggestions for corrections or improvements to cure the defect should be provided in Part VI of the worksheet.

Fiscal notes must be treated as confidential information. This information should not be the subject of conversation in an office except where discussions are necessary by the people directly concerned with the proposal and who have the responsibility for the preparation of the fiscal note.

A complete file of all worksheets and supporting data on proposals which have been analyzed should be maintained. This information will be valuable for the agency's current use and will serve as a basis for making revised estimates on similar proposals in future legislative sessions.

Finally, if a proposal is vague in its intent and the resulting lack of clarity makes it difficult or impossible to prepare a fiscal note, the budget director should be contacted for clarification. This will facilitate rapid and comprehensive preparation of fiscal notes.

BD-15: The form should include the following information:

Request Number:

Will be assigned by OBPP.

Description of Proposed Legislation:

Write a brief description of the proposed legislation.

Assumptions:

Transfer assumptions constructed on worksheet form BD-14, Part II.

Fiscal Impact:

This heading may include revenue impact, expenditure impact, or a combination. Refer to the examples on the following pages for the various ways fiscal notes may be prepared.

Local Impact:

Indicate, if applicable, the fiscal impact of the proposed legislation on counties, cities, school districts, etc.

Long-range Impacts:

Describe significant long-range fiscal effects that might not ordinarily be anticipated.

Technical Notes:

Indicate any technical and/or mechanical defects in the proposed legislation.

The examples on the following pages show fiscal notes from prior years in various formats used for preparation of the final fiscal note. These examples are to be used for reference. Any questions should be directed to the Office of Budget and Program Planning.

BUDGET DIRECTOR

Upon receipt of the worksheet and the prepared fiscal note from the agency, the budget director will review the information received. The reviewed fiscal note, signed by the budget director, will be prepared in four copies -- original and two copies going to the presiding officer requesting the fiscal note, one copy remaining with the budget director.

STATE OF MONTANA

FISCAL NOTE

REQUEST NO. 409-83

Form BD-15

In compliance with a written request received February 15, 1983, there is hereby submitted a Fiscal Note for House Bill 739 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

SAMPLE FISCAL NOTE: This is an example of a fiscal note prepared for legislation having an effect on Revenue.

ASSUMPTIONS:

- 1) Revenue estimates under current law were obtained from the Office of Budget and Program Planning.
- 2) The investment credit law expired December 31, 1982 and does not revert to prior law which allowed 20% of the federal investment credit plus any carryback or carryover.
- 3) The tax credit is limited to the taxpayer's tax liability for the taxable year or \$500, whichever is less.
- 4) An equal dollar amount of eligible assets are acquired each year; a 5% inflation rate for asset acquisition is assumed.
- 5) Outstanding carryover is assumed to be \$1.1 million for individuals and \$.7 million for corporations. Half of the total carryover was allocated to each year of the biennium.

FISCAL IMPACT:

	<u>FY 84</u>	<u>FY 85</u>
Individual Income Tax Collections		
Under Current Law	\$ 166.427M	\$ 175.459M
Under Proposed Law	161.428M	170.238M
Estimated Decrease	<u>\$ (4.999M)</u>	<u>\$ (5.221M)</u>

(continued)

BUDGET DIRECTOR
Office of Budget and Program Planning

Date:

Corporation License Tax Collections

Under Current Law	\$ 41.904M	\$ 48.817M
Under Proposed Law	40.679M	47.548M
Estimated Decrease	<u>\$ (1.225M)</u>	<u>\$ (1.269M)</u>

TOTAL REVENUE

Under Current Law	\$ 208.331M	\$ 224.276M
Under Proposed Law	202.107M	217.786M
Estimated Decrease	<u>\$ (6.224M)</u>	<u>\$ (6.490M)</u>

General Fund

Under Current Law	\$ 131.347M	\$ 141.553M
Under Proposed Law	127.364M	137.399M
Estimated Decrease	<u>\$ (3.983M)</u>	<u>\$ (4.154M)</u>

School Foundation

Under Current Law	\$ 51.308M	\$ 55.294M
Under Proposed Law	49.752M	53.672M
Estimated Decrease	<u>\$ (1.556M)</u>	<u>\$ (1.622M)</u>

Sinking Fund

Under Current Law	\$ 22.575M	\$ 24.328M
Under Proposed Law	21.890M	23.614M
Estimated Decrease	<u>\$ (.685M)</u>	<u>\$ (.714M)</u>

Local

Under Current Law	\$ 3.101M	\$ 3.101M
Under Proposed Law	3.101M	3.101M
Estimated Decrease	<u>\$ -0-</u>	<u>\$ -0-</u>

LONG-RANGE EFFECTS OR PROPOSED LEGISLATION:

The relative cost to the State of Montana of the investment tax credit is dependent on economic conditions which affects the rate of growth of total income and presumably the rate of asset acquisition.

STATE OF MONTANA

REQUEST NO. 419-83

FISCAL NOTE

Form BD-15

In compliance with a written request received February 15, 1983, there is hereby submitted a Fiscal Note for House Bill 796 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

SAMPLE FISCAL NOTE: This is an example of a fiscal note prepared for legislation having an effect on Revenue and Expenditures.

DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 796 creates a Drug and Alcohol Abuse Prevention Grant Program within the Department of Institutions; provides state grant funds derived from a surcharge on fines imposed for driving under the influence of alcohol and drugs; provides for the administration of the program; and includes criteria for and awarding of grants.

ASSUMPTIONS:

- 1) Estimated to be 3,000 fines imposed throughout the state for driving under the influence.
- 2) Average fine to be \$200.
- 3) The surcharge on the fines is 10% as established in the bill.

FISCAL IMPACT:

	<u>FY 84</u>	<u>FY 85</u>
Revenue to Earmarked Account	\$ 60,000	\$ 60,000
Expenditures: Administration	3,000	3,000
Grants	57,000	57,000
	<u>\$ 60,000</u>	<u>\$ 60,000</u>

BUDGET DIRECTOR
Office of Budget and Program Planning

Date:

STATE OF MONTANA

REQUEST NO. 329-83

FISCAL NOTE

Form BD-15

In compliance with a written request received February 7, 19 83, there is hereby submitted a Fiscal Note for House Bill 609 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

SAMPLE FISCAL NOTE: This is an example of a fiscal note prepared for legislation having an effect on Expenditures.

DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 609 directs the Department of Justice and local law enforcement agencies to establish a central repository for dental records of missing persons and unidentified dead bodies.

ASSUMPTIONS:

- 1) There were approximately 650 missing persons reported in 1982.
- 2) There were approximately 400 persons missing long enough to require a dental report to be supplied to the department.
- 3) There were approximately 4 unidentified bodies reported in 1982.
- 4) A local dentist would perform the examination of the body.
- 5) The missing person report form and the release of dental records form would be combined into one form.

FISCAL IMPACT:

Expenditures:	FY 84	FY 85	Total
Contracted Services	\$ 200	\$ 200	Biennium
Printing	100	-	\$ 400
Communication & Postage	300	300	100
Office Supplies	100	-	600
Total Cost to Gen. Fund	\$ 700	\$ 500	100
			\$1,200

BUDGET DIRECTOR
Office of Budget and Program Planning

Date:

STATE OF MONTANA

REQUEST NO. 302-83

FISCAL NOTE

Form BD-15

In compliance with a written request received February 2, 1983, there is hereby submitted a Fiscal Note for House Bill 570 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

SAMPLE FISCAL NOTE: This is an example of a fiscal note prepared for legislation for which an accurate dollar estimate cannot be provided.

DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 570 establishes goods and equipment intended for rent or lease as class eight property for purposes of taxation and provides an exception.

FISCAL IMPACT:

The fiscal impact of the proposed legislation cannot be estimated because there is insufficient data on all goods and equipment intended for rent or lease. The revenue increase should not be significant at the state or local level.

BUDGET DIRECTOR
Office of Budget and Program Planning

Date:

STATE OF MONTANA
REQUEST FOR FISCAL NOTE

Form BD-13

A Fiscal Note is Requested For:

S.B. _____

Amended S.B. _____

S.J.R. _____

H.B. _____

Amended H.B. _____

H.J.R. _____

Date of Amendment _____

Attached is a copy of a Legislative proposal which appears to require a fiscal note as authorized under Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

Presiding Officer

Date

Receipt of the above fiscal note request is hereby acknowledged on this _____ day of _____, 19 _____.

Office of Budget and
Program Planning

Fiscal Note No. _____

Receipt of the above fiscal note request and associated worksheets is hereby acknowledged on this _____ day of _____, 19 _____. I understand that the completed worksheets and the bill must be returned to the Office of Budget and Program Planning on or before _____.

Name _____

Agency _____

As the Presiding Officer of the _____
I do hereby acknowledge on this _____ day of _____, 19 _____ receipt of three
copies of Fiscal Note Number _____
for _____.

(Prepare original and one copy) _____

AUTHORITY: Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

Completed worksheets are due in the Office of Budget and Program Planning on or before _____.

Note: The copy of the proposed legislation must be returned to the Budget Director with the completed worksheets.

TO: _____
Agency or Unit

A Fiscal Note estimate and statement are requested for:

Amended S.B.	_____
Amended H.B.	_____
Date of Amendment	_____

Date of Amendment

H. J. R.

	First Fiscal Year of Next Biennium FY -		Second Fiscal Year of Next Biennium FY -	
I. Estimated Effect on Revenue and/or Expenditures	Estimated Amount Under Current Law	Estimated Amount Under Proposed Law (Decrease)	Estimated Amount Under Current Law	Estimated Amount Under Proposed Law (Decrease) Increase:
A. Effect on Revenue by Source: (List in Detail)				
TOTAL REVENUE				
B. Effect on Expenditures by Category:				
Personal Services				
Operating Expenses				
Capital Outlay				
Local Assistance, Grants				
Benefits & Claims				
TOTAL EXPENDITURES				
NET EFFECT (A LESS B)				
C. Fund Information:				
General Fund				
Earmarked Special Revenue Fund				
Fed & Private Special Revenue				
Capitol Project Fund				
Proprietary Fund				
Other (describe)				

STATE OF MONTANA

FISCAL NOTE WORKSHEET

REQUEST NO. _____

Form BD-14

II. ASSUMPTIONS USED IN OBTAINING ESTIMATES:

(Please list clearly and in detail; use extra sheets if necessary).
List assumptions made during preparation of the fiscal note. If certain costs associated with the proposed legislation can be absorbed without additional funds, indicate this as an assumption. If no dollar estimates have been presented, list reasons in this space.

III. DERIVATION OF ESTIMATES:

Show basic calculations or provide a brief description of the techniques used to obtain estimates; also, cite sources of basic data used for projections.

STATE OF MONTANA

FISCAL NOTE WORKSHEET

REQUEST NO. _____

Form BD-14

IV. AFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

Provide an estimate of the local impact.

V. LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

Use this space to describe any potentially significant effects the proposed legislation might have on expenditures and/or revenues for subsequent fiscal years, give quantitative estimates whenever possible.

VI. TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

Explain.

Agency Representative Who Prepared Estimates: _____

Office of Budget and Program Planning:

(Name)

Received

Analyzed by _____

(Title)

(Phone No.)

Fiscal Note by _____

(Date)

Date _____

STATE OF MONTANA

FISCAL NOTE

REQUEST NO. _____

Form BD-15

In compliance with a written request received _____, 19 _____, there is hereby submitted a Fiscal Note for _____ pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

BUDGET DIRECTOR
Office of Budget and Program Planning
Date: _____

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